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PP RUEHWEB

DE RUEHCV #0190 0462031
ZNY CCCCC ZZH
P 152031Z FEB 08
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 0609
INFO RUEHBO/AMEMBASSY BOGOTA 7689
RUEHLP/AMEMBASSY LA PAZ FEB LIMA 0955
RUEHQT/AMEMBASSY QUITO 2769
RHEHNSC/NSC WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RUCPDO/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY

C O N F I D E N T I A L CARACAS 000190

SIPDIS

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MMALLOY
NSC FOR JCARDENAS AND JSHRIER
COMMERCE FOR 4431/MAC/WH/MCAMERON

E.O. 12958: DECL: 02/15/2018
TAGS: [EFIN VE](#)
SUBJECT: BRV QUIETLY SELLS "STRUCTURED NOTES"

REF: A. CARACAS 168
[1](#)B. 2007 CARACAS 1292

Classified By: Economic Counselor Andrew N. Bowen for reasons 1.4 (b) a
nd (d).

[1](#)1. (SBU) According to press reports this week, over the past several weeks the BRV has sold "structured notes" to selected banks for a total sale of between USD 100 and 270 million dollars. Structured notes in this context are products that combine Argentine, Ecuadorian, and/or Colombian debt acquired by the BRV's National Development Fund (FONDEN) in 2005-2006 (ref B). A February 14 El Nacional article claimed that structured notes had been sold to 15 selected banks at prices 12 percent below their market value for a total of USD 100 to 150 million, and that further sales would be forthcoming. The article claimed that the primary reason for the sales was to reduce pressure on the parallel exchange rate. (Note: The parallel rate has dropped from 5.15 bolivars to the dollar on February 4 to 5.0 bolivars to the dollar on February 14, with some volatility introduced by the announcement of Exxon-Mobil's court action (ref A). End note.) A well-connected head of a local economic consulting firm told econoff that the El Nacional article was generally accurate. An executive at a local brokerage firm confirmed that he was aware of the sales, noting that the government was offering the notes directly to selected banks at fixed prices rather than publicly auctioning them to receive the best possible price.

[1](#)2. (C) Comment: The amount of structured notes sold is not terribly significant in and of itself. The way these sales were conducted, however, indicates that the BRV's new Ministry of Finance team is, if anything, taking a step backwards from recent practice in terms of transparency. As usual, the main loser from this sort of practice is the Venezuelan people: the BRV used public money to buy the debt originally, it proved a bad investment (ref B), and the BRV is not getting full market value for the resale. The winners are the banks fortunate enough to receive a share of the resale at below market price.
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